



## **U.S. Department of State FY 2000 Country Commercial Guides: Madagascar**

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## **CHAPTER I. EXECUTIVE SUMMARY**

This country commercial guide (CCG) presents a comprehensive look at Madagascar's commercial environment, with economic, political and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force of the U.S. Government, to consolidate various reporting documents prepared for the U.S. business community. Country commercial guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

An island nation in the Western Indian Ocean with a population of about 14.6 million, Madagascar ranks among the poorest countries in the world. Over 70 percent of the population fall below a GOM baseline poverty level of \$50 per year. In spite of Madagascar's extreme poverty, the island's unique natural environment, wide variety of resources, low cost labor force, and location on the crossroads between Asia and Africa make it worth a second look for serious, long-term investors.

In March 1997 a World Bank Structural Adjustment Credit of \$70 million was approved by the Executive Board, and by July 1999, the GOM expects the release of the first \$25 million tranche of a second structural adjustment credit (SAC II) of 100 millions USD from the World Bank and the approval of a \$ 40 million Second Enhanced Structural Adjustment Facility (ESAF II) from the IMF.

Partly as a result of these credits but also as a result of the reforms which preceded them, average GDP growth exceeded the population growth rate of 2.8% in both 1997 (3.5%) and 1998 (3.9) for the first times since 1990.

Madagascar's appeal to the open-eyed investor stems from its low-cost, trainable work force. Over 125 investors

particularly garment manufacturers, have organized under the country's Free Trade Zone system since it was established in 1991. The absence of quota limits on textile imports to the United States and special access to the European market under the Lome Convention has helped to stimulate this growth. Liberalization of the foreign exchange market has further enhanced Madagascar's export competitiveness.

The country's transition to democracy in 1993 had the unfortunate side effect of impeding economic decision making and halting reforms begun in the late 1980s. In the past two and a half years alone, the country has seen a two-round Presidential election, a constitutional referendum granting broader powers to the President, and legislative elections. The current need is to continue economic reforms, particularly in the area of privatization, to pull the country out of the failed socialist experiment of the past.

Unfortunately, the dilapidated state of Madagascar's infrastructure is a major impediment to doing business. The local road network is in very poor condition and parts of it are impassable during the rainy season. The rail system is in poor shape, both in terms of track conditions and rolling stock. The water and energy parastatal Jirama is in desperate need of rehabilitation. Infrastructure investments which go towards the maintenance or improvement of human capital--health, education, and public security--are also woefully behind schedule.

The legal and regulatory environment in Madagascar can be a further source of frustration for foreign investors. Foreign ownership of land, though technically possible, is rare, although investors can now enter into 99-year lease arrangements. Security of private property, enforcement of contracts and the assignment of liability are not assured by the existing judicial system. Potential investors in Madagascar should also be aware of the country's unique but critically endangered environment. Some investment projects require environmental impact assessments prior to approval.

In spite of political preoccupations, the Government is making a serious effort to implement a structural adjustment program.

The Government has passed legislation permitting the free transfer of profits from hard currency investments. The export processing zone program offers permanent exemptions from taxes, including taxes on imports of primary materials. Nevertheless, in order to cut down on fraudulent production for the local market by EPZ companies, the Government imposed a VAT on EPZ in 1999, refundable upon proof of export. Outside the export

processing zone, the most promising sectors are fishing, mining, tourism, and agriculture.

Best prospects for future U.S. sales and investment are in the infrastructure, petroleum, telecommunications and mining sectors. Tourism, especially ecotourism, has significant potential. There are also under-exploited opportunities in consulting and engineering.

BUSINESS LANGUAGE: French

Country commercial guides are available for U.S. exporters from the National Trade Data Bank's CD ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>; <http://www.state.gov>; and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202) 482 4473.

## CHAPTER II: ECONOMIC TRENDS AND OUTLOOK

### MAJOR TRENDS AND OUTLOOK

Madagascar, the world's fourth-largest island, is located in the Indian Ocean off the coast of Mozambique. Though it is blessed with a unique ecosystem, its estimated population of 14.6 million people is among the poorest in the world, with GDP per capita income estimated at \$262 in 1998 and 70 percent of the population living below a GOM baseline poverty level of \$50 per year.

In spite of the poverty, there are some encouraging developments. The country has significant economic potential if it can put its socialist, inward-looking past behind it. In the long term, the potential stems from a very industrious, low-cost labor force and a variety of natural resources. In the short and medium terms, considerable economic growth can arise from greater efficiency in the allocation and use of these resources, chiefly through privatization and liberalization of the productive sector.

Implementation of conditionalities associated with the IMF's Enhanced Structural Adjustment Facility and the World Bank's Structural Adjustment Credit appears to be giving an economic boost to the country and is already beginning to attract foreign direct investment. Further proof is that the country's gross domestic product grew by an estimated 3.5 percent in 1997, 3.9 percent in 1998, outpacing the population growth rate for the first times since 1990. The macroeconomic environment has also improved: inflation was cut to 6.2 percent in 1998, from close to 45 percent only five years previously.

### PRINCIPAL GROWTH SECTORS

With World Bank advice and support, the Government is seeking to move towards a market economy conducive to private sector development, openness to foreign investment, and withdrawal of the Government from productive activities. The Government's strategy recognizes that, notwithstanding significant inflows of official multilateral and bilateral assistance, the real engine of growth, will have to come from the private sector. According to the divestiture calendar fixed by the government in 1997, 45 state enterprises were supposed to have been privatized by the end of 1998, including the two state banks, BTM and BFV, the petroleum company SOLIMA and the airline company Air Madagascar. By mid-1999, despite the calendar, only 2 companies had been privatized. Nevertheless, as privatization is part of World Bank and

IMF conditionalities, the Government intends to respect its commitments. As privatization takes place, there will be significant opportunities for foreign investors.

In recent years, weak export prices and increasing competition from other producing countries have cut sharply into Madagascar's earnings for traditional agriculture exports such as vanilla, coffee and spices. On the other hand, aquaculture, apparel manufacturing, mining, tourism, food processing and non-traditional agriculture are export sectors that have excellent growth prospects.

Many investors, for example, are now developing projects to encourage value-added processing of agricultural products before export, and diversifying into new products such as essential oils. Offshore fishing and shrimp farming have developed into the leading foreign exchange earners in recent years, attracting Japanese and European investors. Light manufacturing, especially in the textile and apparel sector, has increased significantly since the establishment of a duty free export processing zone program in 1991.

The country has commercially significant reserves of several minerals, including chromite, graphite, nickel, mica, and ilmenite. Gold and significant quantities of various precious and semi-precious stones are also found in Madagascar. The discovery of important deposits of sapphires in the north and the south of the country has attracted many foreign investors from the United States, Thailand, Indonesia, Israel and Europe, though unfortunately, much of the deposit lies inside the boundaries of national treasures-- Ankarana National Park in the north and Isalo Park in the south.

Madagascar's rich biodiversity and high level of endemism-- plants and animals found nowhere else in the world-- is the basis for development of the ecotourism industry in places like the Ankarana. Major investments in hotels and other tourist facilities will be required for the industry to expand. Liberalization of the Malagasy air transport sector should boost tourism if more frequent flights to European cities and lower fares result.

#### GOVERNMENT ROLE IN THE ECONOMY

In 1975 the Government of Madagascar, or GOM, embarked on a socialist economic experiment focused on the principle of national self-sufficiency but also an opening towards the

Soviet Union, the People's Republic of China and North Korea. The GOM nationalized large foreign enterprises and imposed rigid bureaucratic controls on business. These controls included restrictions on imported goods and control of the foreign exchange market, most prices and profit margins. The policies resulted in a sharp decline in productivity and a dramatic shrinking of the economy, with attendant increases in poverty levels.

Structural reform negotiations with the Bretton Woods institutions began in 1988 and have focused on liberalization and privatization of key economic sectors to improve efficiency and competitiveness. Substantial progress towards economic recovery was recorded under the programs supported by the IMF and the World Bank between 1987 and 1991; however, social unrest interrupted this trend in mid-1991, creating a climate of great uncertainty and wavering in the conduct of economic policy.

With a view to restoring confidence, the authorities in early 1994 defined, in collaboration with the IMF and the World Bank, a new policy framework paper, a strategy for liberalizing the economy, particularly the petroleum, transport, and telecommunication sectors, and for reforming the public sector, specifically by privatizing state-owned enterprises and banks. In a broad reform of the exchange market and the foreign trade system, the GOM allowed the Malagasy franc to float in an interbank foreign exchange market. It also lifted most import restrictions, increased exchange allocations for foreign travel for businesspersons and authorized residents and non-residents to open foreign exchange accounts for transfer from abroad.

#### BALANCE OF PAYMENTS AND MACROECONOMIC SITUATION

Madagascar has run sizeable balance of payments deficits since the mid-1980's. The current account deficit as a percentage of GDP averaged in excess of six percent during the last six years and registered nearly four percent in 1998. In the past, current account deficits have been financed by external borrowing, resulting in a heavy external debt burden. By the early 1980's these inflows began to dry up and arrears rose sharply. Notwithstanding the Paris Club's March 1997 approval of a 67 percent debt reduction, Madagascar's external debt now still stands at over USD 4.5 billion. Since many of the arrears were not covered by the Paris Club, the country's overall debt burden remains very high.

An optimistic high growth scenario is predicated on a recovery of private investor interest and a continuing drop in inflation. From 19.8 percent in 1996, the inflation rate dropped to 6.4 percent in 1998. The government intends to lower this further to 4 percent by the end of 1999. In 1998, real GDP growth stood at a moderate 2.9

percent, forecasted to accelerate to more than 4 percent in 1999-2000. The budget deficit was estimated at 4 percent of GDP in 1998. Tax rate has increased to over 10% of GDP in 1998 and in 1999-2000, the Government forecasts a rate approaching 11%. The 1999 budget will focus its priorities on education, health, environment and national security.

### INFRASTRUCTURE

Madagascar's physical infrastructure is currently not up to the task of serving as a platform for development. The poor condition of roads, for example, inhibits the transportation of agricultural commodities from farm to market. This lowers farmgate prices, increases post-harvest spoilage and makes the supply of inputs irregular and expensive. Railroads cover only a small portion of the island and also suffer from under-investment and poor maintenance, both in terms of track and rolling stock. The port system has essentially been left untouched since independence in 1960. The recent liberalization of domestic and international air transport services is an improvement but the sector is still characterized by limited traffic and high costs.

The modernization of the telecommunications system is the most significant infrastructure project now underway. A private U.S.-based firm, financed by OPIC, has provided cellular phone services since 1994. The GOM has installed a new digital switching system thanks to a French and World Bank foreign assistance project, as part of a nationwide plan for upgrading the communications network.

Since 1997, three GSM providers were granted authorization by the Government to increase competition in the telecommunications sector and the Iridium system is already on sale in the country. Internet service has significantly improved since 1998, with the licensing of 10 Internet service providers.

## CHAPTER III: POLITICAL ENVIRONMENT

### NATURE OF POLITICAL RELATIONSHIP WITH THE UNITED STATES

The government and the people of Madagascar are favorably disposed towards the United States, and relations are friendly. The United States provides significant bilateral assistance, mainly in the environment, health, population, and governance sectors. The United States also contributes resources indirectly, through multilateral development institutions such as the United Nations Development Program, the United Nations Environment Programme, the World Bank, the International Monetary Fund and the African



Development Bank.

Madagascar is historically linked to former colonial power, France. Its government, legislature and judicial system emulate the French model in many ways. Madagascar is a member of the Indian Ocean Commission, COMESA, the Indian Ocean Rim, the Non-Aligned Movement and the Organization of African Unity. Its non-alignment is reflected in its "all points" diplomatic and commercial relations, which include Israel, North and South Korea, Taiwan, China and Iran.

#### MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

After years of failed socialist economic policies, Madagascar has taken important steps towards economic reform since 1990 by beginning to reduce the government's presence in the productive sectors of the economy.

Most political groupings do not overtly take issue with the need for structural adjustment. However, strong vested monopoly interests provide ample campaign financing to political parties and individual politicians in an effort to influence policy outcomes. In many instances, these vested interests are diametrically opposed to change.

#### BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

Madagascar's political system has changed radically since the adoption of a new Constitution approved by referendum in March 1998. The new Constitution strengthens the role of the President of the Republic and promises more autonomy to the provinces. In May 1998, the Malagasy people elected a new National Assembly. The Constitution provides for a Senate, but this second chamber has yet to be put in place.

The President is elected by direct, universal suffrage for a five-year term. The Prime Minister, appointed by the President, and his government constitute the executive branch. Matters of national sovereignty--foreign affairs and national defense --belong to the President. The executive and the legislature share legislative initiative.

In addition to the executive (President and Government) and the legislative (National Assembly and Senate), the Constitution provides for an independent judiciary.

With the new Constitution, there are few checks and balances to temper executive authority. Only the National Assembly, with the Senate's agreement, can impeach the President. On the other hand, the President and the Council of Government (the Prime Minister and his Cabinet) can by decree dissolve the National Assembly. The Constitutional Court must approve the constitutionality of every law before it is promulgated.

Municipal and provincial elections are due before the end

of 1999 in order to meet the Prime Minister's stated goal of establishing all institutions called for in the Constitution by March 2000.

#### **CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES**

##### **DISTRIBUTION AND SALES CHANNELS**

Imported goods can enter Madagascar via air at Ivato international airport in Antananarivo or via sea to the ports of Tamatave, Majunga and Diego-Suarez. Products are then distributed by road or rail throughout the country. Distribution is usually handled by the importing company or by local retailers and wholesalers.

##### **USE OF AGENTS AND DISTRIBUTORS ; FINDING A PARTNER**

The use of agents and distributors, particularly those with prior experience in distributing imported products, is highly recommended. Local agents have contacts to develop a customer base, and can easily communicate in Malagasy and/or French.

Partners can be found by obtaining lists of importers from the Embassy Commercial Section or by contacting business groups and market survey firms. The Embassy recommends that U.S. firms visit Madagascar and negotiate a distribution contract face to face, in order to develop a sense for the realities of doing business in Madagascar and to develop trust between American and Malagasy companies.

##### **FRANCHISING**

A number of Malagasy businesspersons have expressed interest in establishing franchises of U.S. businesses in Madagascar, but insufficient consumer purchasing power makes such ventures questionable. Existing resale operations that appear to be profitable include Avon, Yves Rochard, Benetton, as well as the Score and Champion supermarkets. A number of leading U.S. products or services are sold through distributorships, including American Express, DHL, Caterpillar, General Motors, IBM, Dell, NCR, Sun Microsystems, Packard Bell, COMPAQ, and Apple.

##### **DIRECT MARKETING**

Although there are exceptions, direct marketing for U.S.-made products is difficult. The Malagasy consumer is unaccustomed to Western marketing styles. In addition, French language nuances may not be as evident to an American advertiser. The Embassy encourages U.S.

businesspersons to direct market to local distributors and agents, however.

#### JOINT VENTURES/LICENSING

Joint ventures are a necessity for many foreign investors, as foreigners are de facto barred from owning land in Madagascar. The bureaucratic process for establishing a new enterprise is time consuming and requires considerable maneuvering. The benefit of joint ventures is that the Malagasy partner has a knowledge of and can quickly adapt to the bureaucratic intricacies which involve obtaining permits from several different government ministries. The drawback is that a Malagasy partner will likely be a minority shareholder in capital terms and needs to be carefully screened through independent references and past business history.

There are few licensing ventures in Madagascar, the most prominent being that of Coca Cola with Star Brewery (owned by Henri Fraise & Fils Co.), a relationship of over 40 years. Malagasy investors express an interest in licensing agreements, but it is recommended that contracts be negotiated carefully because of the lack of consistency in the Malagasy Commercial Code.

#### STEPS TO ESTABLISHING AN OFFICE

Office space can be found through a handful of real estate agents, advertisements in local papers, or word of mouth. Landlords will rent to new companies even if they have not obtained all their operating permits. Electricity and water service can be obtained quickly but obtaining fixed telephone service is still difficult in spite of capital improvements. However, with Telecel and the 3 GSM companies, cellular phones are easily available now. Office furniture can be obtained locally at reasonable prices, but imported office equipment (particularly computers) is very expensive because of high customs duties. There are increasing numbers of multilingual, qualified secretaries and administrative assistants interested in working with foreign businesses.

#### SELLING FACTORS/TECHNIQUES

The purchasing power of the average Malagasy citizen is very low. Most Malagasy can only afford immediate necessities. In addition, the Malagasy are culturally reserved and often shy. As a result, and in part because

of the recent socialist past, there is less value put on salesmanship than elsewhere. Retailers and sales clerks respond to customer's need and process sales, but there is only a dawning awareness of service or sales techniques common in the United States or Western Europe.

#### ADVERTISING AND TRADE PROMOTION

Marketing is a relatively new industry to Madagascar. Avenues of advertising include billboards, posters, newspapers, radio and television. Prominent campaigns have European influence and often link the product with leisure activities or personal enjoyment. The quality of advertising campaigns varies and appears to depend heavily on the budget of the advertiser. It is possible to pay a newspaper for a full page article/advertisement, or the five television stations to broadcast an info/advertisement program.

#### Daily newspapers:

L'Express de Madagascar  
P.O. BOX 171  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 203 10  
Fax: (261 20) 22 213 83  
E-Mail address: [lexpress@bow.dts.mg](mailto:lexpress@bow.dts.mg)

Midi Madagasikara  
P.O. BOX 1414  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 300 38  
Fax: (261 20) 22 273 51  
E-Mail address: [midi@dts.mg](mailto:midi@dts.mg)

Madagascar Tribune  
P.O. BOX 659  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 226 35  
Fax: (261 20) 22 222 54  
E-Mail address: [tribune@bow.dts.mg](mailto:tribune@bow.dts.mg)

#### Business Journals:

DMD(Dans les Media Demain)  
58, rue Tsiombikibo - Ambatovinaky  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 277 88  
Fax: (261 20) 22 359 79

ROI (Revue de l'Ocean Indien)  
P.O. BOX 46  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 225 36  
Fax: (261 20) 22 345 34  
E-Mail address: roi@dts.mg

### Television:

Television Malagasy (state)  
Immeuble Solima - Antaninarenina  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 268 30  
Fax: (261 20) 22 248 52

MA TV (private)  
P.O. BOX 1414  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 208 97  
Fax: (261 20) 22 344 21

TVF (private)  
41 bis, Rue Andriba - Mahamasina  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 207 30  
Fax: (261 20) 22 203 02

RTA (private)  
P.O. Box 7547  
Antananarivo - Madagascar  
Tel: (261 20) 22 627 76  
Fax: (261 20) 22 628 04

OTV (private)  
P.O. Box 4100  
Antananarivo - Madagascar  
Tel: (261 20) 033 11 00 312  
Fax: (261 20) 22 454 51

### PRICING PRODUCTS

Pricing of imported products depends on import duties, which range from 0 to 25 percent and on the location of the sale. Profit margins on all products tend to be small, around 7 to 10 percent. As a result of the devaluation of the Malagasy Franc in May 1994, local prices of imported goods have risen dramatically.

The concept of sales service and customer support is relatively new to Madagascar and is limited primarily to distributors of computers and automobiles. Retailers of most consumer goods rarely accept returns of defective products. In addition, companies that offer servicing very often lack spare parts and their technicians have limited training. Objects in need of repair frequently have to be sent to Europe or the company may have to wait months to receive a necessary spare part.

To protect consumers' rights, two private consumer organizations were created in 1992 and 1994, but their action has so far been very limited.

#### SELLING TO THE GOVERNMENT

As part of its liberalization strategy, the government frequently advertises in official and local journals or via radio and television, requesting bids to supply the Government or Government-funded projects. Some of these are intended for international bidders and some only for local companies. These bids are opened publicly and tend not to be contested. However, it is still common to cancel international bids for political reasons and to award government contracts without making a public request for bids.

#### PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Officially, Malagasy law protects against intellectual property rights infringement. Madagascar is a member of the World Intellectual Property Organization (WIPO) and has created two offices dedicated to IPR protection: OMAPI, Office Malgache de la Propriété industrielle (Malagasy Office for Industrial Property) and OMDA, Office Malgache des Droits d'Auteurs (Malagasy Office for Copyrights).

Unfortunately, there is little enforcement capability or even willingness. Pirated audio and video recordings are the most flagrant violations of property infringement in Madagascar, and imported "fake" consumer goods can also be found (such as imitation Cartier bags or Rolex watches). Local industry is not capable of producing quality imitations

To fight against counterfeiting, the government has just adopted a decree forbidding the import of counterfeited goods.

#### NEED FOR A LOCAL ATTORNEY

It is recommended that foreign investors or businessmen ask the assistance of a qualified local attorney before finalizing any contract or operating agreement in Madagascar.

#### PERFORMING DUE DILIGENCE/CHECKING BONA FIDES OF BANKS/AGENTS/CUSTOMERS

Performing due diligence is common in the country and it is performed by accountants. Securing the bona fides of banks is also common in the country.

### CHAPTER V: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

#### BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

Telecommunications, petroleum, mining and transportation sectors will be undergoing major reinvestment programs over the next 5-10 years, using multilateral as well as bilateral assistance. U.S. makers of telecommunications equipment, road-building and repair machinery, automotive spare parts, lubricants, hardware and civil aviation equipment are well-positioned to benefit. The mining sector, including petroleum, offers an attractive market as planned reforms of the mining code open the country to greater investment.

Due to its renowned biological diversity and unique plant and animal life, Madagascar holds great potential for eco-tourism and environmentally sensitive technologies. The country still has very poor infrastructure in the hospitality industry however, and its low per capita income puts some new technologies out of reach unless development assistance funding or bilateral export financing options exist.

The following products/services can be classified as best prospects for U.S. exports or investment:

#### 1.ITA CODE: TEL: TELECOMMUNICATION EQUIPMENT

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The government's objective is to improve service, lower costs, expand user access, increase the economy's

competitiveness, and attract private capital. To this end, the government has amended the legislative and regulatory framework to liberalize the sector and to authorize unrestricted entry of new providers. Following an international call for bids launched for the purpose of identifying several mobile telephone providers with unrestricted access to the international network, three enterprises have been authorized to operate (from Malaysia, Reunion and France). Telecel, an American company, has been providing cellular services for the past five years with financing from OPIC.

## 2. ITA CODE: OGS: OIL, GAS, MINERAL PRODUCTION/

### EXPLORATION

The liberalization of the petroleum sector became effective in 1996, and following an international call for bids, several oil companies came to Madagascar to prospect for petroleum and/or natural gas. Foreign companies are invited to participate on an equal footing in an infrastructure management entity (storage, unloading of vessels). Hunt Oil and a Canadian company, Gulfstream, were granted oil & gas exploration permits by the Malagasy government in 1997. On the distribution sector, the state oil company SOLIMA will be privatized in 1999, so the gas distribution activities could be a good prospect for investment.

## 3. ITA CODE: MIN: MINING PRODUCTION/EXPLORATION

The top priorities of the Government in the mining sector are the liberalization of the sector and the withdrawal of the Government.

This strategy is intended to lead to: (a) the elimination of direct government intervention, rationalization of the licensing system and a reduction of the rate of royalties and taxes on mining products; (b) the implementation of mining legislation designed to promote large mining operations by attracting domestic and foreign investors; (c) the development of a partnership for small- and medium-sized operators; (d) the rehabilitation of the industry at the central and regional government levels; (e) the privatization of gold mines operated directly by the government and (f) the provision of national geological



data to investors, mine operators, and researchers. The mining products for potential investment are ilmenite sands, nickel, cobalt, sapphires, gold, emeralds, and graphite.

A new mining law was approved by the Government in 1999 and sent to the National Assembly for approval. In addition, the Government is now preparing another law to promote mining projects of more than \$200 million.

#### BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

The food sector is now liberalized. Wheat, flour and edible oils are the best prospects for U.S. agricultural exports and could be significant investment opportunities.

##### 1. HEADING: 1001: WHEAT

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	1996	1997	1998
a. Total production	n/a	n/a	n/a
b. Total imports (million USD)	14.0	15.5	16.3
c. Total exports: none			
d. Imports from the U.S.: none			
e. Main exporters: Australia, Canada, France and Romania			

##### 2. HEADING: 1102: FLOUR

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	1996	1997	1998
a. Total production (in tons)	49.5	53.2	64.2
b. Total imports (million USD)	2.2	2.5	3.5
c. Imports from the U.S.: n/a			
d. Total exports: none			
e. Main partners: France, Spain, Italy			

##### 3. HEADING: 1507: SOYA OIL

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	1996	1997	1998
a. Total production (in tons)	none	n/a	n/a

b. Total imports (million USD)	4.0	4.5	5.3
c. Imports from the U.S.:	411,000	n/a	n/a
d. Total exports: none			
e. Main partners: Argentina, Brazil, Malaysia, Singapore, United States, Germany.			

#### SIGNIFICANT INVESTMENT OPPORTUNITIES

As stated above, investment opportunities arise from the telecommunications, petroleum and mining sectors.

The government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. investors.

## CHAPTER VI: TRADE REGULATIONS, CUSTOMS, AND STANDARDS

### TRADE BARRIERS, TARIFFS AND NON-TARIFF BARRIERS

Like many developing nations, Madagascar feels obliged to collect a significant share of government revenue through customs duties, import taxes and value added taxes on imports. Although they have been lowered recently, tax and customs duty rates are still high. Madagascar does not have significant non-tariff barriers to trade.

### IMPORT TAXES

According to the 1999 financial law, there are four kinds of duties:

- Import tax (TI): from exempt to 25%
- Custom fees (DD): from exempt to 25%
- Consumption tax (DA): from exempt to 10%
- Value Added Tax (TVA): 20%

### CUSTOM VALUATION

Imports are valued at C.I.F.

### IMPORT-LICENSE REQUIREMENTS

Imports into Madagascar are liberalized and no longer need any import license except for a few categories of items which are considered by the government as "strategic" such as guns, explosives, precious stones and radioactive products. Telecommunications items need a preliminary permit before import to ensure compatibility.

Before import, importers are required to submit their "Fiche Statistique d'Importation" (Import Data File) accompanied by a proforma invoice to their primary commercial bank, with an information copy to the Ministry of Commerce.

### IMPORT DOCUMENTATION

The following documents are required for commercial shipments to Madagascar:

- Commercial invoice
- Bill of lading or Airway bill

- Insurance certificate
- Packing list
- Import declaration
- Certificate of origin
- Report of VERITAS Bureau inspection for quality and quantity control before shipment for goods.

#### TEMPORARY GOODS ENTRY REQUIREMENTS

Personal effects of diplomatic corps and international organizations and institutions with diplomatic privileges are not subject to import taxes upon entry, but if such personnel sell their effects before leaving the country, they must pay the import duties mentioned above. Temporary entry is also granted to any product used within the free trade zones.

#### PROHIBITED IMPORT

Imports of pornographic material are prohibited.

#### SPECIAL IMPORT PROVISIONS

No import duties are levied on the following:

- Non-commercial parcels sent by postal packet, parcel post, or by air, when no import declaration is entered;
- Commercial consignments sent by postal packet, parcel post, or by air;
- Personal effects of tourists.

#### EXPORT CONTROLS

Most exports have been liberalized. However, export authorization is required for certain protected animal and plant species as specified by the Convention on International Trade in Endangered Species (CITES). These include crocodiles and crocodile skin products, live animals, orchids and tropical hardwoods.

#### EXPORT DOCUMENTATION

- Commercial invoice
- Bill of lading or Air waybill
- Insurance certificate
- Certificate of origin
- Phytosanitary certificate, if required
- Commitment to repatriate foreign exchange earnings
- Packing list
- Export declaration
- Customs declaration
- Analysis-of-quality certificate, if required.

### LABELING REQUIREMENTS

Madagascar adheres to international labeling and marking standards though there is no strong enforcement.

### STANDARDS

The Ministry of Commerce, with the assistance of ISO, is now developing national standards for export goods.

### FREE TRADE ZONES/WAREHOUSES

Firms operating in the free trade zones are exempt from import duties.

### MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Madagascar is a signatory to the following international trade agreements:

- 1964: United Nations Convention on Trade and Development (UNCTAD)
- 1990: Lome IV, between the European Union and ACP countries.
- 1992: Indian Ocean Commission
- 1993: Preferential Exchange Zone (Zone d'échanges Préférentiels), which is the Common Market for East and Southern Africa and Australia - COMESA.
- 1994: World Trade Organization (WTO), formerly General Agreement on Tariffs and Trade (GATT).

Madagascar has bilateral commercial agreements with Mauritius and Seychelles.

Bilateral commercial agreements are being studied with Comoros, South Africa, Australia and India.

### CUSTOMS CONTACT INFORMATION

Director General of Customs: M. Claude Ramianandrisoa  
Address:  
Ministry of Budget and Decentralization  
Antaninarenina - Antananarivo  
Madagascar  
Tel: (26120) 22 229 16  
Fax: (26120) 22 646 80

## CHAPTER VII: INVESTMENT CLIMATE

### OPENNESS TO FOREIGN INVESTMENT

In the past, potential investors in Madagascar have been compelled to deal with a thicket of bureaucratic obstacles as they sought the necessary permits and approvals. Investors needed the authorization of those government ministries claiming technical competence in the targeted industry. Ministerial overlap and bureaucratic struggles for dominance were serious problems. Often, investors had no idea which ministries to approach or where to start. While there has been a recent move to simplify, the process is still lacking in transparency, and rife with corruption.

In September, 1994, the GOM introduced a "guichet unique," or "one-stop office," to serve as the coordinating body for new project proposals. This office does not have decision-making authority, but is responsible for transmitting an investment proposal to the relevant technical ministries and for following up. The guichet unique claims a 45-60 day processing time, though delays are frequent. Investors who have used it claim it is helpful in centralizing the application process, but could be quicker and more responsive.

Since 1996, as part of the structural adjustment process negotiated with the World Bank and the IMF, the GOM has made an effort to reform the business and investment environment by dismantling some of the regulatory and tax constraints impeding private sector development, particularly for small and medium-sized local enterprises and foreign investors.

In addition, over the past two years the Government has adopted a series of legal frameworks to eliminate public enterprise monopolies in the energy, mining, hydrocarbon, telecommunication, and air transportation sectors.

The following measures were adopted in 1998-99 to promote foreign investments:

- Government approval, which is needed for long-term leases on land, will be granted or denied within 2 months of application;

- Visa regulations for foreign investors and tourists have been relaxed;

- The requirement of prior approval for equity capital contributions by foreign investors (above a threshold of 20 percent of a company's authorized capital) has been

abolished;

- Procedures for registering corporations have been simplified (by regulation, should take no more than 2 weeks; in practice, takes approximately one month);
- Legal and institutional frameworks to combat anti-competitive practices have been adopted;
- Treaties eliminating double taxation with some countries that are potential sources of private capital have been negotiated and signed (does not include the U.S.);
- A law providing for arbitration has been adopted for the first time;
- A proposed new mining law has been presented to the National Assembly and a legal framework to promote mining projects of more than 200 million dollars investment is being prepared;
- A new office has been created within the Ministry of Industry to promote local and foreign investments.

The passage of the measures listed above is a positive development, but it is important to note that many of these laws have not been implemented. There are frequent discrepancies between stated policies and their implementation. For example, some foreign investors have encountered discriminatory measures, such as unexplained failure to receive required licenses from the Government. Screening mechanisms are often used for political reasons, or to protect domestic or individual interests, particularly in the telecommunications, mining and fishing sectors. This lack of transparency does not appear to have affected the privatization process, however, where public bidding has generally been open and foreign investors have been welcome to participate.

#### CONVERSION AND TRANSFER POLICIES

In 1996, the Government lifted all restrictions on current payment and transfers and accepted the obligations of Article VIII of the IMF Articles of Agreement, which provides for the complete elimination of exchange controls. There are no restrictions on converting or transferring funds associated with a foreign investment, including remittances of investment capital, earnings, loan repayments, lease payments into a freely usable currency and at a legal market clearing rate.

However, money transfers may be subject to availability of foreign exchange on the interbank foreign exchange market. Foreign investors are permitted to hold bank accounts in foreign currencies. As there is no restriction on the

conversion and transfer of funds associated with foreign investment, any delays in transfer are due to the availability of foreign exchange. By law, foreign investors must make remittances through banks, rather than through parallel market mechanisms (i.e., dollars or other foreign currency used for remittances must be purchased from recognized banks). There is no limitation on the inflow or outflow of funds for remittance of profits, debt service, capital, capital gains, returns on intellectual property, etc.

#### EXPROPRIATION AND COMPENSATION

During the 1970's, the socialist government pursued a policy of national self-sufficiency that included the expropriation of foreign-owned companies. The seizure of property owned by foreign oil companies to create SOLIMA, the state oil company, was the most visible expression of expropriation in the country. The government has settled the expropriation claims of some of the affected companies (Esso, which was resolved in 1997, and Caltex), but others remain outstanding after nearly 20 years.

Since the country is under a structural adjustment program, there is little risk of future expropriation because state divestiture from public enterprises is now a cornerstone of government policy.

#### DISPUTE SETTLEMENT

Investors in Madagascar face a legal environment in which security of private property and enforcement of contracts are inadequately protected by the judicial system. Government interference in the court system is frequent.

In order to improve the business and investment environments, the Government has committed to setting up before the end of 1999 an operational system of arbitration for commercial conflicts through the application and implementation of the new arbitration law.

The government, through the Malagasy Office of Industrial Property (OMAPI) supervises all aspects of copyright and trademark protection. The Malagasy commercial law is very old and plans are in the works for it to be revised.

Investment amounts are calculated according to the value in Malagasy francs of the currency being used for the investment. As of mid-July, 1999, one U.S. dollar equals approximately 6,700 Malagasy francs (FMG).

The government has not signed, and does not abide by, international agreements calling for arbitration of investment disputes between foreign investors and the



state.

While efforts are being made to improve the legal system, the legal framework in which the private sector operates suffers from:

- inadequate laws;
- insufficient dissemination and knowledge of laws;
- inconsistent application and enforcement of the laws.

Madagascar is not yet a member of the ICSD (International Center for the Settlement of Investment Disputes), nor of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

#### PERFORMANCE REQUIREMENTS/INCENTIVES

Investment incentives are available for industries operating in the export processing zones (EPZ). Foreign or local investors can benefit from tax exemptions provided their project falls into one of the following categories:

- investment in export-oriented manufacturing industries;
- development or management of industrial free zones; or
- provision of services to EPZ companies

Beginning in 1999, the Government adopted a new law requiring that EPZ companies pay a refundable 20 percent value added tax (VAT) on imports of raw materials. The refund is to be made within one month upon proof of export.

The law took effect in June, 1999. Many EPZ companies have complained about the law, concerned that the refund system will prove inadequate.

Performance requirements are no longer imposed as a condition for establishing, maintaining or expanding an investment, or for accessing tax and investment incentives.

There are no requirements that investors purchase from local sources, or export a certain percentage of output (other than EPZ companies which must export 100% of their output), or have access to foreign exchange only in relation to the quantity of their exports.

There are no requirements that nationals own shares, that the share of foreign equity be reduced over time, or that technology be transferred on certain terms.

There are no Government-imposed conditions on permission to invest, including location in specific geographical area, specific percentage of local content or local equity, substitution for imports, export requirements or targets, employment of host country nationals or technology transfer. Investors are not required to disclose proprietary information to the Government as part of the regulatory approval process.

U.S. and other foreign firms are able to participate in Government-financed and/or subsidized research and development programs on a national treatment basis.

Although fees for long-term visas were recently raised significantly, the fees do not discriminate and are uniformly applied to all foreign residents. In addition, for residence and work permits, there is no discrimination against foreign investors. There are no restrictions placed on the employment of foreign managers brought in to supervise foreign investment projects. There are no discriminatory or preferential export or import policies which would affect foreign investors, nor discriminatory tariff or non-tariff barriers, or other measures such as import controls.

#### RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Since mid-1996, foreign entities as well as domestic private entities have had the right to establish and own business enterprises and engage in all forms of remunerative activity. By law, private entities have the right to freely establish, acquire, and dispose of interests in business enterprises, as well.

By law, competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations, such as licenses and supplies.

However, the reality is somewhat different from the law. While it is technically legal for foreigners to own property, it is very unusual. To facilitate investments, the Malagasy Government passed a law in 1996 allowing foreigners easier access to 99-year leases which can be traded and used as collateral in business deals. In order to promote foreign investments, the Government, in its new Policy Framework Paper, commits to granting or denying applications for long-term land leases within 2 months of application, beginning September 1999.

#### PROTECTION OF PROPERTY RIGHTS

Madagascar has a legal system that, de jure, protects property rights. However, de facto, the legal system works capriciously, and legal recourse for foreign investors does not generally favor them. The Government claims to comply with the Uruguay Round's Trade Related Aspects of Intellectual Property (TRIPS) Agreement. Madagascar is a member of the World Intellectual Property Organization (WIPO) and, in 1994, the Government established OMAPI (Malagasy Office for Industrial Property) to supervise all aspects of copyright and trademark protection. Compliance with these Intellectual Property Rights regulations is

highly uneven. Major brand names and franchise rights are generally respected, but pirated copies of videotape movies and music cassettes sell openly in the capital. A number of local television stations regularly show pirated copies of first run U.S. and European movies.

In order to fight against counterfeiting, the Ministry of Industry has just adopted a decree to combat counterfeit goods. However, resources must still be found to fund implementation of this decree.

#### TRANSPARENCY OF THE REGULATORY SYSTEM

Since 1996, the GOM has made an effort to increase transparency in the investment approval process. However, as bureaucratic procedures are not sufficiently streamlined and transparent, red tape is a common problem. In its 1999-2000 program, the Government commits to reforming the public administration in order to create a favorable environment for business and investment. The reforms are intended to simplify procedures for registering companies and to establish a legal and institutional framework to fight against anti-competitive practices.

#### EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

The banking system is still too weak to support inward investment flows and to allocate capital resources. As a result, most foreign investors negotiate financing needs abroad.

The banking system consists of six commercial banks. European banking institutions hold a controlling interest in two banks: Banque Malgache de l'Océan Indien (BMOI) and BNI-Credit Lyonnais BNI-CL). UCB (Union Commercial Bank) and SBM (State Bank of Mauritius) are branches of Mauritian parent companies of the same name. The former state bank BFV was purchased by the French bank, Societe Generale, and BTM bank is also in the process of privatization. The primary purchaser of BTM is Bank of Africa.

The total assets of the country's largest bank (BNI-CL) are around USD 200 million. There is no stock market in Madagascar, although discussion has begun regarding establishment of an equities market. There are no private sector and/or government efforts to restrict foreign participation in developing industry standards, or in creating consortia or organizations to pursue legitimate business purposes. We know of no attempts by Government to restrict foreign investment, participation, or control in domestic enterprises.

#### POLITICAL VIOLENCE

There have been no incidents in recent years involving

politically motivated damage to projects and/or installations. The political environment of the country is stable and there are no nascent insurrections, belligerent neighbors or other politically motivated activities that make it difficult to conduct business.

#### CORRUPTION

Madagascar has laws to combat corruption, but they are not efficiently enforced. Corruption is most pervasive in the administrative sector (project approval, government procurement, licenses, judicial matters, etc.).

Tax evasion is widespread in Madagascar, accompanied by bribery of customs or other tax officials. To the extent that businesspersons engage in such tax evasion without being called to account, other firms are placed at a competitive disadvantage if they do not follow suit. A bribe to a local or foreign official is considered a criminal act, but to Post's knowledge, no one has ever been found guilty of corruption in Madagascar. The government is now establishing a legal and institutional framework to fight anti-competitive practices and corruption.

#### BILATERAL INVESTMENT AGREEMENTS

According to the Ministry of Industry, the only country with which Madagascar has concluded a bilateral investment protection treaty is France.

#### OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS.

On March 31, 1998, OPIC and the Malagasy Government signed a bilateral Investment Incentive Agreement which updates the old agreement dating from 1963. On April 21, 1999, the Agreement was ratified by the National Assembly. OPIC currently finances one U.S.-based investment in Madagascar, the cellular telephone company Telecel.

Madagascar is a member of the Multilateral Investment Guarantee Agency (MIGA).

The 1998 estimated annual USD value of local currency (FMG) is 5,500 FMG for one USD. As of mid-July, 1999, the rate had dropped to 6,700 FMG to one USD.

#### LABOR

With widespread unemployment and underemployment, Madagascar is a labor surplus country. Wage rates in the country are among the lowest in the world. Malagasy workers are relatively easily trained and skill availability is good for the types of production that dominate the manufacturing sector: textiles, knitting, and

clothing assembly. More highly sophisticated skilled workers are, however, very limited.

Madagascar is a member of ILO and workers enjoy the right of free association and are free to organize and engage in collective bargaining. Safety standards in the workplace are generally not enforced and would not meet U.S. standards.

#### FOREIGN TRADE ZONES/FREE PORTS

Since 1991, Export Processing Zone (EPZ) regulations in Madagascar have allowed foreign or Malagasy investors to qualify for tax exemptions. EPZ firms can qualify for tax holidays of varying terms. Personal taxes are reduced and EPZ firms are generally exempt from paying customs duties.

However, beginning in June 1999, the Government began applying a value added tax (VAT) to EPZ companies, refundable upon proof of export, as a deterrent against fraudulent production for the local market. Many EPZ companies have complained about this decision and question whether the refunds will be timely. EPZ firms may be set up in special zones or may establish themselves independently.

Like any foreign investment, EPZ companies are legally eligible to hold real property, but encounter similar obstacles both to outright ownership and acquiring long-term leases.

The EPZ is currently the major focus of direct foreign investment in Madagascar. Of the 125 companies granted status as EPZ companies, about 50% are European (mainly French) investments, 30% are Mauritian, 10% are Asian, and 10% are Malagasy.

The value of foreign direct investment in 1998 was around 16 million USD. Data on foreign investment by country of origin and by industry sector are not available.

#### MAJOR FOREIGN INVESTORS

Major foreign investors are from France. Investments in the EPZ are mainly French and Mauritian. The remainders are from Hong Kong, Singapore, Germany and Italy.

#### HOST COUNTRY CONTACT INFORMATION FOR INVESTMENT

Ministry of Industry and Crafts  
P.O. Box 527  
Antananarivo, Madagascar  
Tel: (26120) 22 255 15  
Fax: (26120) 22 277 90  
(Att: Office de la Promotion des Investissements)

Ministry of Energy and Mining  
P.O. Box 257

Antananarivo, Madagascar  
Tel: (26120) 22 342 19  
Fax: (26120) 22 325 54

Ministry of Privatization  
Anosy, Antananarivo, Madagascar  
Tel: (26120) 22 202 84  
Fax: (26120) 22 648 56

Ministry of Finance and Economy  
P.O. Box 61  
Antananarivo, Madagascar  
Tel: (26120) 22 216 32  
Fax: (26120) 22 345 30

## **CHAPTER VIII: TRADE AND PROJECT FINANCING**

### **BRIEF DESCRIPTION OF BANKING SYSTEM**

The banking system in Madagascar consists of six commercial banks. European banking institutions hold a controlling interest in two banks: Banque Malgache de l'Océan Indien (BMOI) and BNI-Crédit Lyonnais (BNI-CL). Union Commercial Bank (UCB) and State Bank of Mauritius (SBM) are branches of Mauritian parent companies of the same name. The former state bank BFV was purchased by the French bank Societe Generale, and BTM bank is in the process of privatization.

For private banks, financial statements are in compliance with international standards and audits are performed both by local and internationally recognized accounting firms. There are no available data on loans granted to the government, state-owned enterprises, private sector or individuals.

### **FOREIGN EXCHANGE CONTROLS AFFECTING TRADING**

Since May 1994, there is an interbank foreign exchange market, which fixes daily the rate of the FMG (Malagasy Franc), according to the floating monetary system.

Free access to foreign exchange for current commercial operations was adopted in 1996. To encourage this development, the Central Bank has amended the regulations in force, in particular by significantly lowering the minimum capital required, to spur exchange bureaus.

The Government has lifted all restrictions on current payment and transfers and has accepted the obligations of Article VIII of the IMF Articles of Agreement which plans to abolish exchange controls.

### **GENERAL AVAILABILITY OF FINANCING**

The financial sector is not sufficiently developed to provide the services small borrowers need. Numerous initiatives of creditors and donors aim at the granting of micro-credit. The government will support the establishment of credit unions and other suitable credit facilities and will encourage creditors and donors to harmonize their efforts in this field. The availability of local financing has been constrained by the Central Bank, in order to control inflation in the wake of large public sector fiscal deficits that have absorbed much of the available pool of local savings.

#### FINANCING OF EXPORTS FROM MADAGASCAR

Only well-known and significant exporters can get export credit in Madagascar. The credit granted is mainly for the purchase of traditional agricultural products such as vanilla, coffee, cocoa and cloves. In case of pre-financing by foreign importers, local exporters still have to pay high interest rates to their banks.

On March 31, 1998, an agreement was signed between OPIC and the Malagasy government in order to facilitate U.S. investment in the country. EXIMBANK is now assessing a new program with the country. The World Bank and the African Development Bank have financed a variety of infrastructure and other types of projects. Generally speaking, the financing possibilities that are available to local firms are quite limited both in terms of variety and capacity.

#### LIST OF BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

##### BTM:

Bankers Trust/New York  
Citibank/New York  
Bank of New York  
French American Bank/New York  
Société Générale/New York

##### BMOI:

French American Bank/New York  
Dresdner Bank/New York

UCB: Citibank/New York

##### SBM:

Citibank/New York  
Bankers Trust/New York

##### BNI:

Bankers Trust /New York

Bank of New York  
Citibank/New York  
American Express International Bank/New York  
Chase Manhattan Bank/New York

BFV/SG:  
Bank of New York  
American Express International Bank/New York  
Bank of America/San Francisco  
Bankers Trust/New York  
Chemical Bank/New York  
French American Bank/New York

## **CHAPTER IX: BUSINESS TRAVEL**

### **BUSINESS CUSTOMS**

Laws and common business practices are based on the European, particularly French business style.

### **TRAVEL ADVISORY AND VISAS**

A visa is required for entry into Madagascar and can be obtained at the airport for stays of less than 30 days. It is no longer worth obtaining a visa from the Malagasy Embassy in Washington D.C. unless a longer stay is contemplated. Since December 1996, the procedures for obtaining tourist visas have been streamlined and simplified.

### **HOLIDAYS**

- New Year's Day, January 1
- Day Commemorating Martyrs, March 29
- Easter and Easter Monday, April 4-5 (movable)
- Labor Day, May 1
- Ascension, May 13 (movable)
- Pentecost, May 23 (movable)
- Pentecost Monday, May 24 (movable)
- African Liberation Day, May 25
- Independence Day, June 26
- Assumption, August 15
- All Saints' Day, November 1
- Christmas, December 25

### **BUSINESS INFRASTRUCTURE**

#### **- Transportation**

Problems with air, train and road transportation are described in Chapter II. Visitors to the capital city of Antananarivo or other cities can easily find taxis. Taxi fares are relatively low but taxis typically do not meet



U.S. safety standards (e.g. no seatbelts).

Rental cars are available but can be quite expensive depending on the vehicle type, and non-residents are usually required to hire a chauffeur. Air charters can be arranged to various destinations in the country.

- Language

French is the common language of business, though more and more businesspersons speak English.

- Communications

As noted previously, the telecommunications system is being modernized. There are now 5 television stations that broadcast in French and Malagasy. CNN is available at some hotels, via satellite. There are several radio stations broadcasting in Malagasy and French, with some English language programs.

- Housing

There are 6 hotels in Antananarivo that conform to U.S. standards: Hilton, Colbert, Ibis, Panorama, Mercure and Radama. Hotels in other areas of the country vary greatly in quality.

Short-term lease furnished flats are now offered by some companies in the capital.

- Health

Visitors to Madagascar are advised to obtain vaccinations against Polio, Hepatitis B (series of three shots), Yellow Fever and Typhoid. Malaria medication should be taken during the rainy season in Antananarivo (November through April) and at all times in coastal regions.

- Food

Local tapwater is not clean, and should be boiled and filtered before being drunk. Fresh fruits and vegetables should be thoroughly washed, preferably with iodine or chlorine, before being consumed. Meat and poultry should be cooked thoroughly. Restaurants are relatively inexpensive. Chinese and European cuisines are most common.

- Temporary entry of goods

Goods when not imported for sale may be admitted into the country without the payment of duty.

U.S. business travelers are encouraged to obtain a copy of the 'Key officers of Foreign Service Posts: Guide for Business Representatives' available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax (202) 512-2250. Business travelers to Madagascar seeking appointments with U.S. Embassy Antananarivo officials should contact the commercial section in advance. The commercial section can be reached by telephone at (261 20) 22 212 57 or by fax at (261 20) 22 345 39.

#### APPENDIX A: COUNTRY DATA

Population: 14,659,000  
Population Growth rate: 2.8%/year  
Religions: 70% Christian, 6% Muslim. The remainder adhere to traditional, ancestor-oriented animist beliefs.

Government system: semi-Presidential.  
Language: Malagasy and French  
Work week: Monday-Friday: 40 hours/week.

The above statistics are unofficial estimates.

#### APPENDIX B: DOMESTIC ECONOMY

	1997	1998	1999 (est)
- GDP (USD Million):	3,544	3,750	3,709
- GDP growth rate 1997	2.1%	3.9%	4.5%
- GDP per capita (USD)	257	262	264
- Government spending as a percent of GDP	19.9	22.8	22
- Unemployment	30%	25%	23%
- Foreign exchange reserves (USD Million)	239	164	306
- Average exchange rate for USD 1.00	4,053	5,441	6,065 (avg from Jan-June)
- Foreign Debt(USD Million)	4,484	4,262	4,422
- Debt Service ratio	39.6	29.2	22.7
- U.S. Military Assistance (USD)	140,000	124,000	n/a
- U.S. Economic Assistance (USD million)	19.9	27.7	n/a

The above statistics are unofficial estimates.

#### APPENDIX C: TRADE (in USD Million)

	1997	1998	1999
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- Total Country exports:	268	518	n/a
- Total Country imports:	571	789	n/a
- U.S. Exports:	11.5	14.6	n/a
- U.S. Imports:	62.5	71.4	n/a

Source: Central Bank/National Data Office

APPENDIX D: INVESTMENT STATISTICS -- SEE INVESTMENT CLIMATE STATEMENT

CHAPTER XI: U.S. AND COUNTRY CONTACTS

APPENDIX E: U.S. AND COUNTRY CONTACTS

COUNTRY GOVERNMENT AGENCIES

Ministère des Finances et de l'Economie  
P.O. Box 61

Antananarivo - Madagascar

Tel: (261 20) 22 216 32

Fax: (261 20) 22 345 30

Ministère de la Décentralisation et du Budget

P.O. Box 61

Antananarivo - Madagascar

Tel: (261 20) 22 301 73

Fax: (261 20) 22 345 30

Ministère du Commerce et de la Consommation

P.O. BOX 245

Antananarivo 101 - Madagascar

Tel: (261 20) 22 272 92

Fax: (261 20) 22 312 80

Ministère de la Promotion de l'Industrie et de  
l'Artisanat

P.O. BOX: 527

Antananarivo 101 - Madagascar

Tel: (261 20) 22 255 15

Fax: (261 20) 22 277 90

Ministère de l'Energie et des Mines

P.O. BOX 257

Antananarivo 101 - Madagascar

Tel: (261 20) 22 255 15

Fax: (261 20) 22 325 54

Ministère d'Etat à l'Agriculture et au Développement  
Rural

P.O. BOX 842

Antananarivo 101 - Madagascar

Tel: (261 20) 22 247 10

Fax: (261 20) 22 265 61

Ministère des Postes et Télécommunications

Antaninarenina

Antananarivo 101 - Madagascar

Tel: (261 20) 22 261 21

Fax: (261 20) 22 240 08

Ministère des Transports et de la Météorologie

Anosy

Antananarivo 101 - Madagascar

Tel: (261 20) 22 227 19

Fax: (261 20) 22 240 01

Banque Centrale de Madagascar

Antaninarenina

Antananarivo 101 - Madagascar

Tel: (261 20) 22 217 51

Fax: (261 20) 22 345 32

#### COUNTRY BUSINESS ASSOCIATIONS

Chambre de Commerce, d'Industrie et d'Agriculture  
d'Antananarivo  
P.O. BOX 166  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 202 11  
Fax: (261 20) 22 202 13

- FIVMPAMA (Association of Malagasy Businessmen)  
12, rue Rainizanabololona - Antanimena  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 690 78  
Fax: (261 20) 22 320 56

- GEM (Groupement des Entreprises de Madagascar)  
P.O. Box 1695  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 238 41  
Fax: (261 20) 22 219 65

- SIM (Syndicat des Industries de Madagascar)  
c/o PAPMAD  
P.O. Box 1756  
Antananarivo - Madagascar  
Tel: (261 20) 22 206 35  
Fax: (261 20) 22 243 94

#### COUNTRY MARKET RESEARCH FIRMS

Automated Data Analysis, Processing & Trading (ADAPT)  
P.O. BOX 4212  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 291 92  
Fax: (261 20) 22 291 92

Cabinet MICA  
P.O. BOX 5258  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 243 62  
Fax: (261 20) 22 259 31  
E-Mail: [narondro@mts.mg](mailto:narondro@mts.mg)

Cabinet Fivoarana  
P.O. BOX 3854 - Madagascar  
Antananarivo 101  
Tel: (261 20) 22 219 25  
Fax: (261 20) 22 271 41

Cabinet d'Etudes, de Conseil et d'Assistance à la  
Réalisation  
Lot IVD 17 Bis, Tsiazotafo  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 347 26  
Fax: (261 20) 22 206 44

Cabinet Ravonison, Gast et Associés  
Lot 1B 26-9, Rue de la Réunion  
Isoraka  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 261 71  
Fax: (261 20) 22 446 33

OSIRIS  
P.O. BOX 3476  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 420 44  
Fax: (261 20) 22 420 44

Ocean Consultants  
P.O. BOX 3528  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 428 06  
Fax: (261 20) 22 271 26

#### COUNTRY COMMERCIAL BANKS

Banque Malgache de l'Océan Indien (BMOI)  
P.O. BOX 25 B, Place de l'Indépendance  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 346 09  
Fax: (261 20) 22 346 10

Union Commercial Bank (UCB)  
P.O. BOX 197, Lalana Solombavambahoaka  
Antsahavola  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 272 62  
Fax: (261 20) 22 287 40

State Bank of Mauritius (SBM)

1, rue Andrianary Ratianarivo, Antsahavola  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 666 07  
Fax: (261 20) 22 666 08

BNI - Crédit Lyonnais Madagascar (BNI-CL)  
P.O. BOX 174, Analakely  
Antananarivo 101  
Tel: (261 20) 22 239 51  
Fax: (261 20) 22 337 49

BFV-SG  
P.O. BOX 196, Antaninarenina  
Antananarivo 101  
Tel: (261 20) 22 206 91  
Fax: (261 20) 22 345 35

Bankin'Ny Tantsaha Mpamokatra (BTM)  
P.O. BOX 183, Antaninarenina  
Antananarivo 101  
Tel: (261 20) 22 202 51  
Fax: (261 20) 22 213 98

MULTILATERAL DEVELOPMENT BANK OFFICES IN COUNTRY:  
World Bank, 1, rue Patrice Lumumba, Antananarivo  
Madagascar, Tel: (26120) 22 289 17;  
Fax: (26120) 22 329 02.

TPCC TRADE INFORMATION CENTER NUMBER IN WASHINGTON:  
1 800 USA TRADE.

U.S. DEPARTMENT OF STATE, OFFICE OF BUSINESS AFFAIRS:  
Phone: 202 746 1625, Fax: 202 647 3953

U.S. DEPARTMENT OF COMMERCE, MAC COUNTRY DESK OFFICER (FOR  
MARKET ACCESS AND REGULATORY PROBLEMS ONLY)  
Phone: 202 482 5149 Fax: 202 482 5198

U.S. DEPARTMENT OF AGRICULTURE, FOREIGN AGRICULTURAL  
SERVICE, TRADE ASSISTANCE AND PROMOTION OFFICE:  
202 720 7420

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC):  
202 336 8799.



## CHAPTER XII: MARKET RESEARCH AND TRADE NEWS

### APPENDIX F: MARKET RESEARCH

Post is planning to prepare the following ISA for 1999-2000:

- textile and apparel
- mining
- telecommunications
- computers

### APPENDIX G: TRADE EVENT SCHEDULE : n/a

